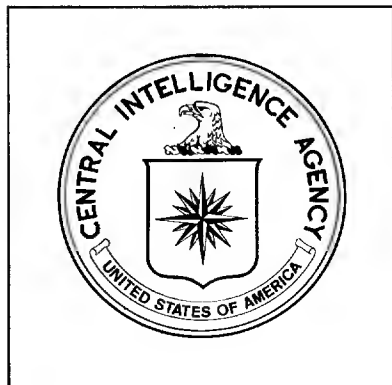


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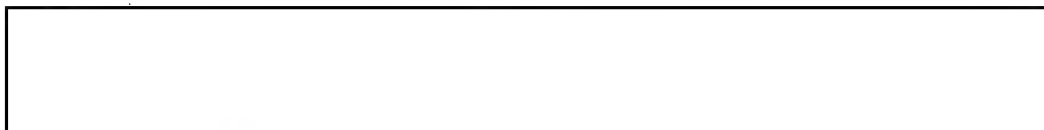
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WESTERN EUROPE – CANADA – INTERNATIONAL ORGANIZATIONS

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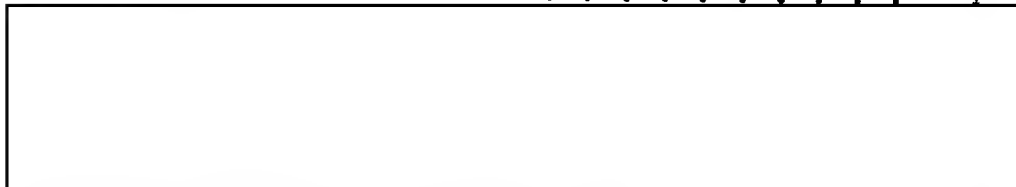
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Bilingual Belgium Divides Over Energy

Prime Minister Tindemans' government decided to postpone until next fall debate on the ratification of the International Energy Agency agreement to avoid further strains in the coalition.

Just two weeks after the government averted a crisis when French-speaking representatives threatened to split the government over the purchase of the US-made F-16 fighter rather than the French Mirage, a similar division developed over the IEA agreement which is opposed by France. Rather than embarrass the French-speaking Walloon Rally Party, the junior member of the three-party coalition whose representatives eventually came to heel on the fighter issue, Tindemans decided the IEA question was not that urgent and could wait until October.

One French-speaking opposition leader, however, claimed the government did not have the votes to pass the IEA bill last week. Furthermore, he vowed to fight the energy proposal on linguistic grounds whenever it resurfaced in parliament.

Only a few of the 18 nations involved in the IEA proposal have ratified the full agreement. The Belgian postponement probably will not have a significant impact on eventual acceptance or rejection by the other states. It will, nevertheless, be of some embarrassment to Etienne Davignon the Belgian chairman of the IEA's governing Board which meets again at the beginning of next week.

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France Grants Poland \$1.7 Billion in Credits

France agreed during President Giscard d'Estaing's four-day, state visit last week to provide Poland with \$1.7 billion in credits over the next five years. The government-guaranteed credits are the largest ever granted by a West European state to an East European country other than the USSR.

The conditions for the credits are described by French officials as better than current market terms.

A \$900 million line of credit extended to Poland by France between 1972 and 1974 has been exhausted. The new credits will enable the Poles to accelerate their purchases of French manufactured goods, especially in the field of electronics, telecommunications, and chemicals. The Poles are currently negotiating a number of contracts with French firms, including Creusot-Loire for a \$750 million fertilizer complex and Societe Spie-Batignolles for a \$250 million chemical complex.

A portion of the credits also will be used to promote the development of the new Lublin coalfields in southeastern Poland. Coal shipments from Poland to France are to double to four million tons per year by 1983.

The Poles are particularly interested in gaining French economic ties to lessen their dependence on West Germany, which dominates Poland's trade with non-Communist countries.

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Both Giscard and Polish party chief Gierek stressed the historical ties of France and Poland and pledged to work for closer political, economic, and cultural relations. They signed an agreement providing for ministerial-level political consultations each year.

Giscard's visit to Warsaw underlines Paris' continued interest in developing a political Europe that extends at least to the Soviet border if not to the Urals--as former president Charles de Gaulle had advocated. In seeking "special relations" with East European countries, Paris hopes to inject a French note into what it regards as a US-Soviet effort to monopolize detente.

Giscard is aware, however, that he must tread a narrow path between increasing contacts with East Europe, thereby aiding detente, and going so far that Moscow might think France is competing for influence in the area. Nevertheless, Giscard finds the market potential of East Europe--and especially alternative sources of energy such as Polish coal--extremely attractive as he strives to redress the effects of rising oil prices on the French balance of payments.



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IEA Faces Minimum-Oil-Price Issue

The International Energy Agency's Governing Board meets next week in Paris to consider a plan for long-term consumer cooperation in the development of alternate sources of energy. The plan includes a US proposal for a "minimum safeguard price" intended to prevent oil producers from undercutting consumer efforts to develop other energy sources and thus attain a degree of independence from OPEC.

The IEA members agreed in principle last March that the development of energy sources other than oil would require a method to safeguard investments in these areas. Since that time, the energy agency's eighteen members have made little progress toward implementing the decision; next week's meeting will be the last before the agreed July 1 deadline.

An agreement, even on an interim basis, to promote long-term cooperation hinges on successful resolution of the differences that exist over the minimum safeguard price. The US has told the other members of the energy agency that they need only decide next week on a range for the price and on a mechanism to establish the price later this year. The US proposal has received the support of the other IEA members that are themselves oil producers--the UK, Norway and Canada--and from some of the energy agency's smaller members.

The prospects for agreement at next week's meeting are nevertheless slim. Japan and Italy, in particular, oppose an early agreement. Tokyo feels that it has little to gain from a minimum price agreement because Japan has few domestic sources of energy and because agreement to such

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a plan could run into domestic opposition. The Japanese are also worried that agreement prior to a conference of energy producers and consumers could be construed by the oil producers as threatening a confrontation.

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Italy is demanding acceptance of other aspects of the long-term cooperation agreement--in particular guaranteed supplies of enriched uranium for its expanding nuclear energy program--as a condition for its agreeing to the minimum price proposal. Rome argues, as does Tokyo, that with few domestic energy sources Italy has little to gain from setting a minimum price for imported oil and possibly much to lose. Moreover, in the wake of the regional elections, the Moro government will be more reluctant than ever to subscribe to international agreements which could prove unpopular at home.

The EC Council, meanwhile, will meet on Thursday to go over community long-term energy-cooperation plans and to prepare for next week's meeting of the energy agency. Prospects for agreement at the EC meeting are also poor.

The Commission has prepared papers which lend support to the principle of a minimum safeguard price, but do not accord it a high priority. The

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Commission is instead advocating giving precedence to the guarantee of specific investments in alternate energy sources. The UK and the smaller EC states generally support the Commission proposals, while West Germany has reacted cautiously. Bonn is concerned lest this proposal become yet another costly program for which West Germany must foot the largest share of the bill.

France--which is not a member of the IEA-- is opposed to any aspect of the minimum price scheme. Giscard and senior French officials will reportedly not even discuss the Commission's energy proposals until after Thursday's meeting thus eliminating any chance of agreement. One of the principal French objections to the minimum safeguard price is that it would do nothing to stimulate investment in the French nuclear energy program, which is government owned.

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Portuguese Moderates Encouraged by Revolutionary
Council Policy Statement

The Revolutionary Council's debate on basic policy last week may have been more bitterly fought than the final communique revealed.

Rumors of sharp splits within the Council have been circulating in Lisbon and one unconfirmed report indicates that Prime Minister Goncalves offered his resignation because he opposed the moderate tone of the document. According to the embassy's source, the resignation has not been announced because Foreign Minister Antunes, a respected moderate, refused to take the job and Goncalves agreed to stay on for the time being.

Moderate political parties in Portugal are encouraged by the recent turn of events and hope that the momentum that has developed will have an impact on impending Council decisions on the freedom of information disputes centering on the Socialist newspaper Republica and the Catholic radio station.

The moderates, led by the Socialists, have responded enthusiastically to the Council's communique in an effort to overcome past differences with the Movement. The center-right Social Democratic Center, whose existence as an opposition party was defended by the Council, was the only party to criticize the communique for supporting popular organizations and other concessions to the radicals.

In contrast, the reaction of the Communists and their allies has been favorable but restrained. The Communist-controlled press has emphasized the Council's call for a classless society, and downplayed the affirmation of a pluralist political system.

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Whether or not the moderates' hopes are justified will be revealed by the decisions taken by the Council in its current deliberations over the future of the mass media. There have been no new developments in the Republica and Radio Renascenca disputes, but the Socialists and the Church are using the time to develop political support and to secure the backing of influential external forces. The Vatican has expressed its strong support for the Portuguese church, while the Portuguese Socialists are being aided by the Socialist-leaning Quotidien de Paris, which has published two editions of a French-language Republica.

Socialist and Catholic leaders have some reason to hope that outside pressures will influence Council members in their deliberations on how to resolve the two cases involving the media. There are strong indications that the moderates' arguments were strengthened considerably in the debate on the policy statement last week by the fact that West European offers of economic assistance have been linked to the adoption of a pluralist approach in Portugal. A major portion of the Council's communique dealt with Portugal's serious economic problems and Movement members appear to be increasingly aware that Western Europe offers the best hope for substantial assistance.

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